

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 INT-08 FEA-02

SCI-06 AGR-20 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04

PRS-01 SS-20 USIA-15 DRC-01 /202 W

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R 201545Z MAY 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 4758

INFO AMEMBASSY GEORGETOWN

AMEMBASSY BRIDGETOWN

AMEMBASSY PORT OF SPAIN

UNCLAS KINGSTON 1752

EO 11652: N/A

TAGS: EFIN, ECON

SUBJECT: OTHER ECONOMIC MATTERS IN FINANCE MINISTER'S

BUDGET SPEECH

BECAUSE OF ITS FIVE HOUR LENGTH, FINANCE MINISTER COORE'S
BUDGET SPEECH INCLUDED A WIDE RANGE OF ECONOMIC SUBJECTS
WHICH ARE SUMMARIZED BELOW:

1. IMPORT RESTRICTIONS. THE ADDITIONAL REVENUE TO BE
RECEIVED FROM THE BAUXITE/ALUMINA COMPANIES PERMITTED
A LOOSENING OF IMPORT RESTRICTIONS AS FOLLOWS:

A) 18 ITEMS WERE REMOVED FROM RESTRICTIONS COMPLETELY,
EXAMPLES, NEEDLES, NEWSPAPERS, PLASMA, ETC

B) OTHER ITEMS ARE TO BE FREELY LICENSED: RAW
MATERIAL FOR THE PROCDUCTIVE SECTOR, SPARE PARTS FOR
MACHINERY AND MOTOR VEHICLES, MEDICAL, DENTAL, AND
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OPTICAL EQUIPMENT ETC. (DETAILS OF A AND B TO BE SUBMITTED

BY AIRGRAM)

C) THE PREVIOUS IMPORT LIMIT OF J\$645 MILLION WAS INCREASED BY J\$80 MILLION. IMPORTATION OF COMMERCIAL VEHICLES WAS INCREASED BY J\$10 MILLION, ON CONSUMER GOODS BY J\$20 MILLION INCLUDING \$5 MILLION FOR PRIVATE MOTOR CARS AND ON RAW MATERIALS AND CAPITAL GOODS BY \$25 MILLION EACH.

D) THE 25 PERCENT CUTBACK ON GASOLINE SUPPLIES WAS RESTORED, BUT THE PRICE REMAINS AT J\$1.20 PER GALLON.

2. INFLATION. THE PRESENT INFLATION RATE WAS 8 PERCENT PER QUARTER AND THE GOJ GOAL WAS TO REDUCE IT TO 4 PERCENT PER QUARTER BY MARCH, 1975 AND TO 2 PERCENT PER QUARTER BY MARCH, 1976. THE MEASURES TO ACCOMPLISH THIS:

A) CREDIT CEILINGS - CREDIT EXPANSION WOULD BE LIMITED TO 3 PERCENT PER QUARTER. LOANS TO THE PRODUCTIVE SECTORS WOULD BE ALLOWED BUT FINANCING OF LUXURY TYPE HOUSING (OVER J\$30,000) WOULD NOT QUALIFY FOR EXEMPTION FROM THE CEILING

B) INTEREST RATES: INTEREST RATES ON SAVINGS OF UNDER \$1,000 WOULD BE INCREASED FROM 4-6 PERCENT. OTHER INTEREST RATES WOULD REMAIN UNCHANGED.

C) BOND ISSUE - THE GOJ WAS CONSIDERING FLOATING A LONG TERM BOND ISSUE LATER THIS YEAR ISSUED AT PAR PLUS A COST-OF-LIVING FORMULA

D) ESTABLISH A WAGES POLICY WHICH WOULD SET MINIMUM RATES AND TIE WAGE INCREASES TO PRODUCTIVITY. THIS WOULD REQUIRE A JOINT EFFORT BY THE GOJ, EMPLOYERS, AND TRADE UNIONS: AND THE PM HAD ASSUMED RESPONSIBILITY FOR ITS ACHIEVEMENT.

3. 1973 ECONOMIC PERFORMANCE. THE ECONOMY HAD BEEN SUBJECTED TO INFLATIONARY PRESSURES FROM THE HIGH UNCLASSIFIED

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COST OF IMPORTS FURTHER AGGRAVATED BY ESCALATING FUEL COSTS. JAMAICA'S STATIC EXPORT EARNINGS WERE REFLECTED IN THE FACT THAT 1973 EXPORTS INCREASED BY ONLY \$54 MILLION WHILE IMPORTS GREW BY \$111 MILLION. 1973 GNP GREW BY 19 PERCENT COMPARED TO 10 PERCENT IN 1972, AND PER CAPITA INCOME GREW BY 18 PERCENT. AGRICULTURE SHOWED AN INCREASE OF 17.6 PERCENT AND BAUXITE ALUMINA AN INCREASE OF 18 PERCENT, REVERSING THE PREVIOUS YEAR'S DECLINE. TOURISM

ALSO SHOWED AN INCREASE OF 7 PERCENT OVER 1972. HOWEVER, MANY OF THE ABOVE FIGURES SIMPLY REFLECTED THE EXTENT OF INFLATION. UNEMPLOYMENT REMAINED A SERIOUS PROBLEM AND STOOD AT 22.4 PERCENT. THE GROWING TRADE DEFICIT FROM 1960-1972 WAS MASKED BY HEAVY CAPITAL INFLOWS WHICH ENDED IN 1972 WHEN A MAJOR BAUXITE CONSTRUCTION PROJECT WAS COMPLETED. SINCE THEN THE TRADE DEFICIT HAD CONTINUED (\$249.9 MILLION- 1973), RESERVES FELL BY J\$43 MILLION TO J\$76 MILLION AT THE END OF 1973, AND ESCALATING IMPORT AND OIL PRICES CAUSED THE GOJ TO SEEK THE LONG TERM SOLUTION OF INCREASED EXPORT PRODUCTION AND HIGHER PRICES FOR ITS EXPORTS ABROAD. HIGHER PRICES HAD BEEN OBTAINED FOR SUGAR AND BANANAS, AND IT WAS AGAINST THIS BACKGROUND THE GOJ DECIDED TO GET A BETTER PRICE FOR ITS CHIEF RESOURCE, BAUXITE, (REMAINDER OF SPEECH DISCUSSING THIS SUBJECT REPORTED SEPTE). HEWITT

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